

Message Text

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ACTION STR-04

INFO OCT-01 ARA-10 EUR-12 EA-07 IO-13 ISO-00 STRE-00

AGR-05 CEA-01 CIAE-00 COME-00 DODE-00 EB-07

FRB-03 H-01 INR-07 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-01 EPG-02 AID-05 SS-15 ITC-01 TRSE-00

USIA-06 PRS-01 SP-02 FEAE-00 OMB-01 OPIC-03 OIC-02

AF-10 NEA-10 XMB-02 /149 W

-----101913Z 023092 /43

P R 101710Z JUN 77

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 8154

INFO AMEMBASSY BRASILIA

AMEMBASSY BRUSSELS

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY TOKYO

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USEEC USOECD

ACTION STR FOR GREENWALD

E.O. 11652: NA

TAGS: ETRD GATT MTN

SUBJ: U.S. HANDLING OF MTN FRAMEWORK GROUP MEETING, JUNE 30-
JULY 1

REF: A. BRUSSELS 5863 (NOTAL), B. GENEVA 4527 (NOTAL),
C. MTN GENEVA 3789

BEGIN SUMMARY: U.S. MTN DEL RECOMMENDS LOW-KEY APPROACH
TO SUBJECT MEETING, WHICH IS INTERIM AFFAIR SCHEDULED ONLY
AT SECRETARIAT URGING IN CONJUNCTION WITH EC REPORT THAT IT
IS "READY". U.S. SHOULD MAKE PRELIMINARY COMMENTS ON
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BRAZILIAN PAPERS AND OTHER LDC STATEMENTS FROM LAST
MEETING IN ORDER TO PROD LDCS INTO MAKING AT LEAST TOKEN
EXPLANATION OF PROBLEMS AND JUSTIFICATION OF THEIR
PROPOSALS. WE NEED NOT, AT THIS TAGE, EXPAND ON OUR OWN
PAPERS TABLED AT LAST FG MEETING, AND IN CASE OF EXPORT
RESTRICTIONS OUR COMMENTS SHOULD BE LIMITED STRICTLY TO
FIELDING QUESTIONS OF OTHER DELS IN LIGHT OF CONTINUED

CANADIAN BLOODY-MINDEDNESS ON THIS ISSUE. CURRENT SOUNDINGS SUGGEST STATUS OF EC COMMISSION "PROPOSAL" ON S&D LEGAL FRAMEWORK STILL UNCERTAIN WITH MEMBER STATES (REFS A AND C). DELS WILL WARM UP FOR FG AT 7 PLUS 7 MEETING JUNE 27. END SUMMARY.

1. ALTHOUGH LDCS MAY MOBILIZE BY END OF MONTH, CURRENT ATTITUDE OF MOST DELS TOWARD UPCOMING FG MEETING RANGES FROM LISTLESS TO CURIOUS. INFORMAL 7 PLUS 7 MEETING ON MORNING OF JUNE 27 WILL BE CURTAIN-RAISER TO JUNE 30 FG SESSION. WE DO NOT PRESENTLY EXPECT SIGNIFICANT INITIATIVES FROM ANY QUARTER EXCEPT FOR POSSIBLE EC PRONOUNCEMENT ON S&D "ENABLING CLAUSE" (REFS A AND C). MEMBER STATE REPS HERE CONFESS THAT THEY STILL NOT QUITE SURE WHAT COMMISSION HAS IN MIND BUT EXPECT AT MINIMUM A GENERAL INDICATION AT FG MEETING OF COMMUNITY INTEREST IN ENABLING CLAUSE APPROACH. WE AGREE WITH USEC SUGGESTION REF A, PARA 2, THAT, IF WASHINGTON WANTS TO, NOW WOULD BE TIME TO SUGGEST GO-SLOW APPROACH TO EC, ESPECIALLY PRIOR TO PENDING MTN BILATERAL. THIS COULD BE TWO-EDGED SWORD, HOWEVER, SINCE OVERT EXPRESSIONS OF U.S. CONCERN COULD CRYSTALLIZE EC AGREEMENT ON 'INDEPENDENT' INITIATIVE PUSHING FG INTO THE LDC ORIENTATION THEY HAVE ALWAYS FAVORED.

2. OTHER DELS PONDERING: NORDICS WILL CAUCUS NEXT WEEK TO PRODUCE A GENERAL ORIENTATION PAPER FOR TABLING (MAKING UP FOR VIRTUAL-LACK OF COMMENT AT FEBRUARY MEETING). JAPANESE CLAIM TOKYO FINDING IT HARD TO FOCUS ON FG BEFORE MID-SUMMER MTN BILATERALS. CANADIANS AND TO LESSER EXTENT LIMITED OFFICIAL USE

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AUSTRALIANS REMAIN ADAMANTLY HOSTILE TO EXPORT RESTRICTIONS TOPIC, AUSTRALIAN DEL SAYING IT NOW HAS A WRITTEN CABINET INSTRUCTION ON SUPPLY FORMULATED DURING ABORTIVE EFFORTS THIS SPRING TO INCLUDE ISSUE IN FINAL CIEC COMMUNIQUE. BRAZILIANS EXPECTING TO SIT BACK AND HEAR COMMENTS ON THEIR PROPOSALS, ALTHOUGH THEY MAY ALSO COMMENT BRIEFLY ON U.S. PAPERS IN INTEREST OF 'DIALOGUE'. OTHER LDCS WITH WHOM WE HAVE TALKED HAVE NOTHING SPECIFIC IN MIND YET FOR FG MEETING, BUT THEY WILL HAVE DOWNING STREET SUMMIT, CIEC, GATT CTD (JUNE 23-24), AND UNCTAD MANUFACTURES COMMITTEE (JULY 4-8) ON THEIR MINDS.

3. WE BELIEVE SUFFICIENT U.S. COMMENT ON BRAZILIAN AND OTHER LDC "PROPOSALS" WOULD BE SERIES OF "SHOW ME" QUESTIONS AND OBSERVATIONS ON SOME SPECIFIC ELEMENTS, WITHIN GENERAL PARAMETERS OF U.S. STATEMENT AT FEBRUARY FG MEETING. WE SHOULD PROBE, FOR EXAMPLE, WHETHER GENERAL ASSERTIONS OF NEED WHICH INTRODUCE EACH SECTION OF BRAZILIAN PROPOSAL REALLY HOLD WATER. WHAT IS SPECIFICALLY

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P R 101710Z JUN 77
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INADEQUATE ABOUT EXISTING FRAMEWORK IN THE CHOSEN AOREAS?
WHAT HAVE LDCS BEEN CONSTRAINED FROM DOING BECAUSE OF
IT? WHY HAVE SO MANY DESIGNATED EXISTING PROCEDURES REMAINED
UNUSED AND UNTESTED? WHAT KINDS OF OBLIGATIONS WOULD LDCS
ASSUME IN CONJUNCTION WITH MASSIVE EXPANSION OF RIGHTS
PROPOSED IN SUBJECT AREAS? HOW WOULD INTRA-LDC OBLIGATIONS
(AND MUCH DE FACTO INTRA-LDC PREFERENTIAL TREATMENT) BE
AFFECTED BY LDC PROPOSALS? HOW WOULD DC DONORS OF S&D
VERIFY RESULTS (OR LACK THEREOF) IN TERMS OF ENHANCED LDC
DEVELOPMENTS? ETC., ETC.

4. WE SUGGEST SPECIFIC U.S. ORIENTATION ON EACH TOPIC AS
FOLLOWS:

(A) LEGAL FRAMEWORK FOR S&D. WE WOULD BE MILDLY
POSITIVE ON GREATER GSP SECURITY, BUT SHOULD CONTINUE TO
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THROW COLD WATER ON IDEA OF PREFERENTIAL BINDINGS, AND SHOULD RESERVE ON BRAZIL'S ENABLING CLAUSE IDEA AS PUTTING THE CART BEFORE THE HORSE (DEVELOPMENTS ELSEWHERE IN MTN WILL EVENTUALLY SUPPORT JUDGMENT WHETHER SUCH A CLAUSE IS NECESSARY OR APPROPRIATE). DEPENDING ON LEVEL OF DETAIL, PARALLEL EC "PROPOSAL" FOR ENABLING CLAUSE MIGHT BE HELD IN ABEYANCE BY QUESTIONING HOW IT DIFFERS FROM THIRD ELEMENT OF BRAZIL'S ANNEX I ("LEGAL FRAMEWORK") AND BY PROMISING CAREFUL STUDY.

(B) SAFEGUARDS FOR BOP AND ECONOMIC DEVELOPMENT PURPOSES. WE COULD NOTE CERTAIN CONVERGENCE IN U.S. AND BRAZIL BOP SUGGESTIONS, WHILE DOUBTING WHETHER EFFORTS TO OVERHAUL APPROACH FOR LDC BOP PROBLEMS MAKE MUCH SENSE WITHOUT OVERHAUL OF GATT APPROACH GENERALLY (THIS COMPOUNDED BY FACT THAT PRESENT APPROACH PLACES NO SERIOUS PRACTICAL CONSTRAINT ON LDC BOP ACTION). ON ECONOMIC DEVELOPMENT SAFEGUARDS (ARTICLE XVIII A AND C) WE BELIEVE HEAVY SKEPTICISM APPROPRIATE IN LIGHT OF NON-USE OF EXISTING PROVISIONS AND ALL-PURPOSE CHARACTER BRAZILIANS SEEK TO GIVE TO THIS ARTICLE.

(C) CONSULTATION/SURVEILLANCE/DISPUTE SETTLEMENT. BASIC POINT IS THAT BRAZILIAN IDEAS ON IMPROVED PROCEDURES DO NOT HAVE TO BE LIMITED TO ONLY LDCS. SEVERAL DCS, EC IN PARTICULAR, HAVE EXPRESSED CONCERN OVER SUGGESTION IN U.S. PAPER THAT GATT SECRETARIAT TAKE GREATER ROLE IN ASSISTING LDCS IN DISPUTES (BEYOND THOSE PROCEDURES ALREADY AGREED IN 1966 BY GATT CPS), AND WANT MORE DETAIL ON WHAT WE HAVE IN MIND. MTN DEL WOULD APPRECIATE WASHINGTON GUIDANCE ON THIS POINT.

(D) RECIPROCITY/GRADUATION. WE CAN AGAIN PROBE BRAZILIANS ON PRACTICAL DEFICIENCIES THEY PERCEIVE IN CURRENT ARTICLE XXXVI; 8 RECIPROCITY STANDARD (WHICH U.S. RE-ENDORSED AT LAST FG MEETING). MOST OF REMAINING LIMITED OFFICIAL USE

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POINTS IN BRAZILAIN ANNEX V ("RECIPROCITY") ENUMERATE THEORETICAL APPROACHES TO ENLARGING LDC BARGAINING POWER OR REDUCING BURDEN OF CONCESSIONS THEY MIGHT GIVE. TWO MOST TROUBLESOME ONES ARE NOTION OF DC "NEGOTIATIONS WITH A GROUP OF DEVELOPING COUNTRIES TAKEN AS A SINGLE NEGOTIATING ENTITY" (PRESUMABLY WITHOUT THE COVER OF CUSTOMS UNION OR FREE TRADE AREA STATUS) AND THE IDEA OF "PERIODICAL ADJUSTMENT OF CONCESSIONS . . . IN ORDER TO COMPENSATE THE DEVELOPING COUNTRIES FOR EMERGING IMBALANCES." WE BELIEVE U.S. TACK HERE SHOULD BE EXTREME SKEPTICISM ON NEED IN LIGHT OF BASIC ARTICLE XXXVI:8 LET-OUT AND OTHER EXISTING

GATT PROCEDURES. RE GRADUATION, WE CAN IMPROVISE FURTHER COMMENTS IN LIGHT OF INSTRUCTIONS FOR OECD TCWP S&D MEETING AND DISCUSSION THERE; BUT MTN DEL WOULD ALSO APPRECIATE KNOWING CURRENT WASHINGTON THINKING ON SPECIFIC APPROACHES TO THIS ISSUE IN FG.

(E) EXPORT RESTRICTIONS. WITH U.S. PAPER ALREADY ON TABLE AND PERSPECTIVE SUPPLIED IN OUR INTRODUCTORY STATEMENT AT FEBRUARY MEETING, WE SEE NO NEED FOR U.S. TO PUSH THIS TOPIC AT JUNE MEETING. CANADIAN HOSTILITY, LINKED TO CONTINUING INACTIVITY IN SECTORS GROUP, CONTINUES UNABATED AS CONFIRMED BY GREY'S TALKING POINTS RECENTLY LEFT IN WASHINGTON. THAT PRESENTATION'S GROSS DISTORTION OF USG FG POSITIONS (WE HAVE POUCHED WASHINGTON AND EMBASSY OTTAWA OUR MEMO IDENTIFYING PROBLEM AREAS) SUGGESTS BEGINNING OF NO-HOLDS-BARRED EFFORT BY CANADIANS TO DERAIL THIS ITEM FOR THE FORESEEABLE FUTURE (AT LEAST UNTIL SECTORS WORK MOVES SUBSTANTIALLY). AUSTRALIANS TOO HAVE MORE DETAILED

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INSTRUCTIONS THAN IN PAST, TO WIT: NO ONE HAS SHOWN AUSTRALIA THERE IS A PROBLEM ON EXPORT RESTRICTIONS ("SUPPLY") AND ANYWAY, THE GATT ALREADY HAS PLENTY IN IT ON THIS SUBJECT.

(COMMENT: WE AGREE WITH LATTER PART OF AUSTRALIAN VIEW AND BELIEVE THAT THIS MAY OFFER EVENTUAL BASIS FOR SPLITTING THEM OFF FROM CANADIANS, WHO INSIST IN EFFECT THAT GATT PROVISIONS TOUCHING ON EXPORT CONTROLS ARE MEANINGLESS. WHILE EC AND SOME OTHER DCS WILL AT JUNE FG MEETING SUPPORT U.S. FEBRUARY STATEMENTS ON THIS SUBJECT, AND WE MAY NEED TO HANDLE QUESTIONS OR CANADIAN ATTACKS, MTN DEL SEES NO PROFIT ON SEEKING TO CARRY DEBATE ANY FURTHER AT THE MOMENT AND BELIEVES LOWEST POSSIBLE U.S. PROFILE APPROPRIATE FOR NOW.

6. IN LONGER RUN, WE URGE THAT VARIOUS WASHINGTON BACKGROUND WORK UNDERWAY FOR SOME TIME NOW BE BROUGHT TO EARLY CON-LIMITED OFFICIAL USE

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CLUSION. EXPLORATION OF MAJOR COUNTRY INTENTIONS AND PERCEPTIONS OF FG ROLE IN MTN SHOULD BE PROMINENTLY ON AGENDA FOR MID-SUMMER MTN BILATERALS--AS MUCH TI KEEP POTENTIAL FOR CONFLICT UNDER CONTROL, AS FOR ACHIEVEMENT OF SUBSTANTIVE RESULTS. WE BELIEVE BASIC STRATEGIC DECISION WILL BE NEEDED BY EARLY FALL AS TO WHETHER U.S. WISHES (A) TO PUSH HARD FOR RESULTS IN SOME FG AREAS, OR (B) TAKE UNIFORMLY MODEST, DAMAGE-LIMITING APPROACH TO ALL FIVE TOPICS OF FG AGENDA IN EXPECTATION THAT APPARENTLY FUNDAMENTAL CONFLICT OF NIEWS AMONG MAJOR NEGOTIATING PARTNERS OVER NATIONAL INTEREST AND PRIORITIES WILL PERSIST. KKEY QUESTIONS REMAIN (A) WHETHER WE CAN/WILL MOVE TOWARD CANADA ON SECTORS, AND (B) WHETHER WE CAN/WILL DEVELOP LEVERAGE ON EC IN BOP AND DISPUTE SETTLEMENT AREAS.) BASIC STRATEGIC DECISION WOULD NEED TO BE FOLLOWED BY OPERATIONAL PLANS TO GET APPROPRIATELY SCALED U.S. PROPOSALS AND/OR FRAMEWORK GROUP WORK PROGRAM GOING IN EACH SUBJECT AREA BY YEAR END. CONCEIVABLY THIS MIGHT BE ACCOMPLISHED WITH ONLY ONE MORE MEETING OF FG DURING 1977.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INSTRUCTIONS, LESS DEVELOPED COUNTRIES, MEETING PROCEEDINGS, COMMITTEE MEETINGS
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Copy: SINGLE
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977GENEVA04683
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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Image Path:
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Legacy Key: link1977/newtext/t19770670/aaaacjeu.tel
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Litigation History:
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Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
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Reference: 77 BRUSSELS 5863, 77 GENEVA 4527, 77 MTN GENEVA 3789
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2203617
Secure: OPEN
Status: NATIVE
Subject: U.S. HANDLING OF MTN FRAMEWORK GROUP MEETING, JUNE 30- JULY 1
TAGS: ETRD, US, GATT, MTN
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/adfded7f-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009